



European Institute of Innovation, Entrepreneurship, and Technology

Introduction to the Hospitality Industry Assignment 2 15.04.2026

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1. Critically analyze the advantages and disadvantages of franchising in the hospitality industry.

Franchising is a popular business model in the hospitality industry where a franchisor allows a franchisee to operate under its brand name. This model has both advantages and disadvantages from both perspectives. From the franchisor's perspective, one major advantage is rapid business expansion without heavy capital investment. The franchisor can grow its brand globally while franchisees bear most of the financial risks. It also allows steady income through franchise fees and royalties. However, a key disadvantage is reduced control over daily operations. Poor performance by franchisees can damage the brand image. From the franchisee's perspective, the biggest advantage is operating under an established brand. This reduces business risk and helps attract customers easily. Franchisees also receive training, operational support, and marketing assistance. On the downside, franchisees must pay initial fees and ongoing royalties, which reduces profit margins. Additionally, they have limited freedom in decision-making, as they must follow strict brand guidelines. In conclusion, franchising offers growth and reduced risk but comes with control and financial limitations for both parties.

References:

- 1 Walker, J.R. (2021). Introduction to Hospitality Management.
- 2 Lashley, C. & Morrison, A. (2013). Franchising Hospitality Services.

2. Evaluate how franchising contributes to the global expansion of hotel chains.

Franchising plays a crucial role in the global expansion of hotel chains by allowing brands to enter new markets quickly and efficiently. Brand Recognition is one of the most important factors. Established hotel brands already have customer trust and loyalty. When a franchise opens in a new country, customers are more likely to choose a familiar brand, which increases business success. Economies of Scale also support expansion. Large hotel chains benefit from bulk purchasing,

centralized marketing, and shared resources. This reduces costs for both franchisors and franchisees, making operations more efficient and profitable. Standardization ensures that customers receive the same level of service worldwide. Whether a guest stays in a hotel in Europe or Asia, they expect similar quality, facilities, and service. Franchising helps maintain this consistency through strict operational guidelines and training programs. However, too much standardization can sometimes ignore local culture and customer preferences, which may affect customer satisfaction in certain regions. Overall, franchising is a powerful strategy that enables hotel chains to expand globally while maintaining brand identity and operational efficiency.

References:

- 1 Brookes, M. & Altinay, L. (2011). Franchising and the Global Hotel Industry.
- 2 Holloway, J.C. (2017). The Business of Tourism.